

# The Underground Apartment Market

Buyers and developers preoccupied with sky-high homes are reconsidering the lowly basement, as nest seekers look earthbound for deals.

**By Stefanos Chen**

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Life in New York has driven Elizabeth Yanev into the ground — and she is delighted.

Mrs. Yanev, 33, and her husband, Andrew, 34, were daunted by the price of two-bedroom apartments, and unimpressed with the selection. So Ross Evangelista, their agent with Stribling, offered an alternative: a roughly 1,800-square-foot duplex “studio” in a prewar co-op in Midtown East. It was the only apartment of its size they could afford below 135th street, but there was a hitch: The space was entirely below street level.

“I remember thinking, ‘Wow, this is incredible’ and ‘Oh, my gosh, what a complete wreck,’” Mrs. Yanev said of the apartment, where the upper level is partially below grade.

The unit was dark and had been vacant for several years because of a legal dispute with the previous owner that involved allegations of mold. But they saw potential: Walls of glass could be installed to bring in sunlight in the back, where the land slopes down; ceilings could be raised to 14 feet; and two private outdoor spaces, a terrace and a basement patio, offered a glimpse of suburban life.

They bought the apartment for \$1.2 million in 2015 and spent more than a year renovating the space, which now includes a downstairs master bedroom, a nursery for their 11-month-old, Oscar, a guest room and a temperature-controlled wine closet. They declined to give the cost of the updates, but said it would not have been possible in a pricier aboveground apartment.

“We’re now absolutely in love with it,” she said.



The Yanevs' master bedroom is completely below street level. Mrs. Yanev said they were surprised by how much sunlight it gets. Stefano Ukmar for The New York Times

They are not alone. Both buyers and developers, typically preoccupied with skyward apartments, are reconsidering the lowly basement. As prices continue to decline in the luxury market, developers are keen on maximizing every square foot, including below-grade space, while buyers seek out bargains in a supply-heavy market. Developers are digging deeper for taller ceilings, installing full length windows and using clever sleight of hand — in the market for a photo studio? — to make the space appealing.

It doesn't always make up for the subterranean feel, but plenty of buyers are glad just to have the extra space.

In midsize projects where it doesn't make sense to shoehorn amenities into the basement or rent the floor to retailers, developers can use that area as so-called "rec rooms" for ground-floor buyers. In some cases, full apartments are being placed below street level, where fancy finishes and tall windows help blur the distinction. (City zoning deems a property habitable when it is at least 50 percent above grade, and meets various safety requirements.) Because below-grade homes are typically cheaper than above-grade space, buyers can stretch their dollars, with some limitations, while developers make the most of their investment.

Some savvy buyers are willing to dive headlong into these deals. Jenna Basford, a 31-year-old real estate agent with Compass, paid \$2.3 million for a ground-floor apartment with a lower level on the Upper West Side, based on floor plans alone.

"I'm just going on my gut," said Ms. Basford, who was tipped off to the under-construction building at 350 West 71st Street by another broker. "We had no idea what it was even going to look like."

But she knew the 2,100-square-foot, two-bedroom duplex would be double the size of her current home in Williamsburg, Brooklyn, where she lives with her husband, Matt, their toddler, Lucas, and basset hound, Harvey. The lower level, which is about 40 percent of the total floor space, will have the same finishes as the rest of the apartment, and windows that make the most of the available sunlight. One floor above, an apartment that will be about 430 square feet smaller is listed for about \$1 million more, she said.

A rendering of 350 West 71st Street on the Upper West Side, a luxury condo conversion where Jenna Basford bought a ground-floor apartment with below-grade space.

Alan Hill Design/Redundant Pixel

The below-grade level “gave us an opportunity to create larger apartments at a lower price,” said David Berger, a partner at DNA Development, which owns the project. Prices at the 38-unit condo conversion, which is set to open next year, range from about \$1.8 million to \$5.85 million, but on a square-foot basis, Ms. Basford’s apartment is a better bargain. Units on the first floor sell for up to \$1,200 a square foot, he said, while higher apartments can go for up to \$2,000 a square foot.

There are restrictions on what residents can do on the lower level, which is part of the reason the space trades for less. For sunlight, ventilation and other safety reasons, the city does not permit bedrooms in space that is completely below grade, said Tom Fariello, first deputy commissioner of the Department of Buildings. And plumbing is limited to half bathrooms, meaning no showers, to deter illegal basement rentals.

That is why many of these spaces are called “rec rooms,” a euphemism for space that is not habitable, even if the owners use the windowless area for bedrooms. When it is time to sell, those hurdles, coupled with the fact that most below-grade space should not be counted toward total square footage, pose some challenges, agents said.

Limitations aside, space is still space in New York City. In an analysis of Department of Buildings records in several Manhattan neighborhoods, 80 of 377 recent projects, or 21 percent, put residential space on below-grade floors, said Patrick W. Smith, an agent with Stribling who focuses on new development. He looked at buildings of five to 25 stories with at least four units on the Upper East Side, the Upper West Side, in Midtown, Chelsea and downtown neighborhoods including TriBeCa, the West Village and SoHo.

On average, projects with lower-level residential space were just nine stories tall and had 26 units — what developers call boutique buildings, Mr. Smith said. Buildings without below-grade residential space were larger, with an average of 65 units and 13 stories. The majority of buildings with below-grade apartments were on side streets, where ground-floor retail made less sense or was not permitted. In some areas, residential basements are prohibited, because they fall in high-risk flood zones.

As developers on these projects are typically working with less total square footage, every inch counts. At the Shephard, a West Village rental-to-condo conversion where the basement was already excavated, the developer created a 1,289-square-foot, ground-floor studio where roughly half the space is below street level. The lower level, while spacious, cannot be considered a legal bedroom.

“It was one of the first things we sold,” said Alexa Lambert, the head of sales on the project with Stribling Marketing Associates. It is not hard to see why: The unit was listed for \$1.785 million, while the average sales price in the building was about \$9.1 million, according to StreetEasy, the real estate data website. That makes it one of the least expensive units, per square foot, in a building with access to amenities like a basketball court, golf simulator and steam rooms, and the cachet of living in a building with interior design by Gachot Studios.

The sales team, however, did not take photos of the unit — it sold before completion — and marketed it without much fanfare.

“It’s not like I’m embarrassed by it,” Ms. Lambert said. “We didn’t make a big deal about it, because it’s not representative of the building.”

That sentiment is shared by others in the luxury market, where bargain units, like those with below-grade space, sometimes get downplayed in favor of showcase apartments that take longer to sell. At the Chatsworth, a luxury conversion on the Upper West Side, the head of sales would not even discuss the handful of below-grade units.

But Alison Glestein, an agent with Real Direct not involved with that team, said the one underground unit she listed at the building moved very quickly. “I thought it was going to be on longer,” she said, adding that she was surprised to get almost 70 prospective

buyers to come see the below street-level apartment. She said she sold the 450-square-foot one-bedroom in about a month and a half, for roughly \$550,000, to a Brooklyn investor who eventually wants to rent it out.

“They would never have been able to get into the Chatsworth for less than that,” she said of the buyer, who liked the high-end finishes and amenities offered at the building and didn’t mind that the windows faced a nearby wall. “You can tell it’s daylight outside,” Ms. Glestein said, but she gave it “two out of 10” for sunlight. The average sales price at the Chatsworth was about \$4.8 million, according to StreetEasy.

Listing data bears out her buyer’s hunch. In a study of residential projects in Manhattan and Brooklyn built in the last five years, apartments with below-grade space were 21 percent cheaper per square foot than other units in the same buildings, according to StreetEasy, which found 75 such apartments and compared them to a total of 646 units that sold in the same buildings within three years.

In Greenpoint, Brooklyn, the developer of a new 21-unit condo called Mylo House said interest in his maisonette with a basement was so high that he took the remaining ground-floor units with similar layouts off the market. The roughly 1,500-square-foot one-bedroom apartment, listed for just under \$1.25 million, was the first sale in the project.

“Frankly, I’ve kept the others off the market because I didn’t think the rest of the building was getting enough focus,” said Sean Zalka, an executive vice president of Legion Investment Group, the developer.

Mylo House, a new 21-unit condo project in Greenpoint, Brooklyn, has three maisonette units with below-grade space and private backyards. Stefano Ukmar for The New York Times

Although the apartment is a legal one-bedroom, the lower level, which opens to a private yard, has two additional rooms that buyers could use as sleeping quarters. There is also a roughly 160-square-foot detached “rec room” with a half bathroom that was staged as a photo studio on a recent tour. Jen Lee, the managing director of development for Bold New York, which is handling sales, said buyers have gotten over their basement hang-ups.

“A lot of people have that dream of walking into their own backyard, and this allows people to get that at an achievable price,” she said, noting that this unit was asking about \$100 less per square foot than the apartment above it.

There are plans in motion that could make below-ground apartments even more widely available. The mayor’s office has backed a pilot program to modify the building code in East New York, Brooklyn, to allow for the creation of legal basement and cellar apartments. (Currently, some basement dwellings may be legal, but cellar apartments, which are completely underground, are not.) The aim is to create and preserve more affordable housing in a neighborhood with a large number of low-income renters who already live in unsafe below-grade conditions.

Brad Lander, a city councilman for Park Slope, who co-sponsored the program, said there may be more than 300,000 New Yorkers already living in illegal basement and cellar apartments, many of them not up to fire code. Should the program proceed, an eventual goal might be to allow market-rate developers to create habitable below-grade units to expand the affordable housing supply, provided there are protections in place for current tenants, he said.

For those who have already embraced the basement, there are less obvious perks. The Yanevs, who fully renovated their below-grade duplex, turned an 1,800-square-foot studio into a home with three basement “bedrooms,” two of which open to their private yard.

The Yanevs gut renovated their below-grade duplex in Midtown. LED sconces in the living room produce soft lighting, and a nearby wall was painted white to reflect more natural light.

Stefano Ukmar for The New York Times

On the first floor, they discovered they could raise the ceiling, which had been dropped by a past owner, from nine to 14 feet. Their location in the building allowed them to vent their kitchen range hood outside and install a split heating-and-cooling system with the compressor in their yard. They created deep storage on the lower level, including a wine closet, and a nook for a washer and dryer. And after installing new windows and glass doors, they were surprised at how much sunlight the apartment gets.

The project has also been a source of inspiration. Mr. Yanev, a former risk management consultant, switched to a job in the lighting industry after developing a passion for LED lights, which he installed throughout the home to make it feel brighter. Mrs. Yanev, who has a background in fashion, found a new calling as well: working as a project manager for the architecture firm that designed their home.

While looking out at their yard, where they have begun growing a garden and plan to create a play space for their toddler, Mr. Yanev indulged another flight of fancy.

“Maybe I’ll paint a mural,” he said, framing a spot on the brick wall directly outside their bedroom windows. Mrs. Yanev shot him a look. Not every idea born in the basement will see the light of day.



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